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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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COMMISSIONERS

MIKE GLEASON, Chairman  
WILLIAM MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

2008 APR 22 A 10:22

AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
NORTHERN SUNRISE WATER COMPANY FOR  
A CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER SERVICE IN  
COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20453A-06-0247

IN THE MATTER OF THE APPLICATION OF  
SOUTHERN SUNRISE WATER COMPANY FOR  
A CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER SERVICE IN  
COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20454A-06-0248

IN THE MATTER OF THE JOINT APPLICATION  
OF NORTHERN SUNRISE WATER COMPANY  
AND SOUTHERN SUNRISE WATER COMPANY  
FOR THE APPROVAL OF SALE AND  
TRANSFER OF WATER UTILITY ASSETS, AND  
CANCELLATION OF CERTIFICATES OF  
CONVENIENCE AND NECESSITY, FOR  
MIRACLE VALLEY WATER COMPANY,  
COCHISE WATER COMPANY, HORSESHOE  
RANCH WATER COMPANY, CRYSTAL WATER  
COMPANY, MUSTANG WATER COMPANY,  
CORONADO ESTATES WATER COMPANY,  
AND SIERRA SUNSET WATER COMPANY,  
LOCATED IN COCHISE COUNTY, ARIZONA.

DOCKET NOS. W-20453A-06-0251  
W-20454A-06-0251  
W-01646A-06-0251  
W-01868A-06-0251  
W-02235A-06-0251  
W-02316A-06-0251  
W-02230A-06-0251  
W-01629A-06-0251  
W-02240A-06-0251

PROCEDURAL ORDER

**BY THE COMMISSION:**

In Decision No. 68826 (June 29, 2006), the Arizona Corporation Commission ("Commission") authorized Northern Sunrise Water Company ("Northern") and Southern Sunrise Water Company ("Southern") (collectively "Applicants") to acquire the assets of Miracle Valley Water Company, Cochise Water Company, Horseshoe Ranch Water Company, Crystal Water Company, Mustang Water Company, Coronado Estates Water Company and Sierra Sunset Water Company (collectively "McLain Water Systems"). In granting the Applicants Certificates of Convenience and Necessities ("CC&Ns") for the areas served by the former McLain Water Systems,

1 the Commission ordered the Applicants to complete a list of system improvements by August 25,  
2 2007. In addition, the Commission ordered Applicants to file a general rate application in 2008 using  
3 a calendar test year ending December 31, 2007. Furthermore, in Decision No. 68826, the  
4 Commission acknowledged that circumstances may cause Applicants to require beyond August 2007  
5 to complete the system improvements. Thus, the Commission found that Applicants could file a  
6 request for extension of time to complete the referenced improvements, and that such request should  
7 detail good cause and be submitted no later than June 30, 2007.

8 On May 30, 2007, Applicants filed a Motion to Extend Time to Comply with Decision No.  
9 68826. Applicants stated that because of delays caused by the bankruptcy proceedings of the former  
10 McLain Water Systems, the transfer of assets did not close until February 19, 2007. Applicants  
11 requested extending the deadline to complete the system improvements until February 19, 2008, and  
12 to allow a test year ending June 30, 2008, in the rate case required under Decision No. 68826. By  
13 Procedural Order dated August 16, 2007, the Motion was granted.

14 On February 14, 2008, Applicants again filed a Motion for Extension of Time to comply with  
15 the requirements of Decision No. 68826 requesting extensions as follows: (1) complete the  
16 improvements to the Mustang, Crystal and Miracle Valley Water Systems by May 30, 2008; (2)  
17 complete the improvements to the Sierra Sunset and Coronado Estates Water Systems by December  
18 31, 2008; and (3) file a general rate case by April 1, 2009, using a Test Year ending December 31,  
19 2008. Applicants state that they have encountered unanticipated delays of approximately six to eight  
20 weeks in the permitting process for the Mustang, Crystal and Miracle Valley water systems due to  
21 administrative backlog in Cochise County. In addition, the Applicants indicate that the work required  
22 for the Sierra Sunset and Coronado Estates water systems depends upon a joint venture with the  
23 Babocomari Group, and construction is delayed by internal issues with that Group. Applicants state  
24 that in the event written agreement with the Babocomari Group is not reached within 90 days,  
25 Applicants will proceed with a different system improvement design, albeit at an increased cost.  
26 Applicants request an extension until December 31, 2008 to address the Sierra Sunset and Coronado  
27 Estates improvements. Because the improvements have been delayed, Applicants request an  
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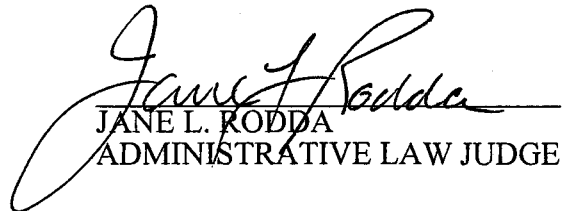
1 extension of the requirement to file a rate case in order to have a more meaningful and accurate Test  
2 Year.

3 On April 2, 2008, the Commission's Utilities Division ("Staff") filed a Memorandum, and  
4 states it has no objection to the Applicants request for an extension to complete the listed  
5 improvements and to file the rate case.

6 The first extension that we granted was caused by a delay in the expected bankruptcy closing.  
7 The current extension request is also motivated by causes beyond the control of Applicants. It  
8 appears that they are diligently pursuing compliance with Decision No. 68826. The requested  
9 extensions are reasonable.

10 IT IS THEREFORE ORDERED that the deadline established in Decision No. 68826 for  
11 Applicants to complete the system improvements listed in Exhibit B thereto with respect to the  
12 Mustang, Crystal and Miracle Valley Water Systems shall be extended to May 30, 2008; the deadline  
13 with respect to the Sierra Sunset and Coronado Estates Water Systems shall be extended to December  
14 31, 2008; and the requirement to file a general rate case shall be extended until April 1, 2009, using a  
15 Test Year ending December 31, 2008.

16 DATED this 21<sup>st</sup> day of April, 2008.

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JANE L. RODDA  
ADMINISTRATIVE LAW JUDGE

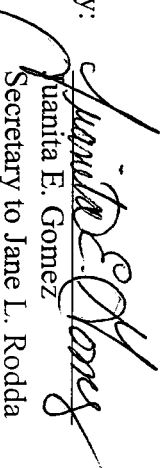
21 Copies of the foregoing mailed  
this 21<sup>st</sup> day of April, 2008 to:

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13 Secretary to Jane L. Rodda  
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